

William P. Eskdale
Claim Specialist II
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**CIGNA Property
& Casualty**

December 11, 1997

TLP-16A
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1601 Chestnut Street
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Certified Mail – Return Receipt Requested

Michael Lichtenstein, Esq.
Lowenstein, Sandler, Kohl, Fisher & Boylan
65 Livingston Avenue
Roseland, NJ 07068-1791

Re: Policyholder: RegO Company and/or RegO Group, Inc.
Site: Bunker Hill/Coeur d'Alene Basin
Claimant: Coeur d'Alene Tribe, United States
Our File: 717 L 036233-X

Dear Mr. Lichtenstein:

This letter, on behalf of Century Indemnity Company as successor to CCI Insurance Company as successor to INA and California Union Insurance Companies and Pacific Employers Insurance Company, hereby acknowledges receipt of your October 31, 1997 letters tendering the above referenced claim on behalf of Group R. Co., Inc., the purported successor by merger to RegO Company and/or RegO Group, Inc. The alleged policies referenced in your letter are:

ZCX 006162 (2/1/82-10/1/82)	California Union
ZCX 006384 (10/1/82-10/1/83)	California Union
ZCX 006730 (10/1/83-10/1/84)	California Union
ZCX 007380 (10/1/84-10/1/85)	California Union
ZCX 008570 (10/1/85-10/1/86)	California Union
XCP 156737 (10/1/84-10/1/85)	Insurance Company of North America
XCC 016848 (10/1/85-10/1/86)	Pacific Employers Insurance Company

I am the assigned environmental claims handler for this account, therefore kindly direct all future correspondence pertaining to this claim or this account and other environmental claims to my attention. Please also advise me whether you wish to have this claim considered under any other alleged policies issued by a CIGNA P&C Company, otherwise we will consider this claim only with respect to the alleged policies referenced above.

Please be advised that I have initiated a search of the company's records with respect to the alleged policies. It will take some time to complete this search. You can speed my initial review of this claim by providing copies of the policies which Group R Co. asserts were issued to one or more of its predecessors. In the event we are unable to locate any of the alleged policies, it would be the burden

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of Group R Co., Inc. to establish the existence and terms of the contracts of insurance under which it seeks to recover. At this time Century Indemnity reserves all of its rights and defenses in connection with the existence of, terms, conditions, definitions and exclusions of the alleged policies issued in favor of RegO Company and/or RegO Group, Inc. Once we have completed our policy search I will apprise you as to the result.

It is also noted that while I do not have any of the alleged policies in my possession at this time, policies bearing the symbols ZCX, XCC and XCP are usually excess policies. Therefore, it is most likely that these policies will respond, if at all, only after exhaustion of underlying coverages.

The information regarding this claim as provided by the two Complaints you forwarded with the tender is very limited. However, what we do learn from the Complaints is that mining operations took place at the site for approximately 100 years--roughly between 1880 and 1980; during that time the practice of disposing of tailings and other wastes resulted in the discharge of an estimated 72 million tons of mine and mill tailings into and around the south fork of the Coeur d'Alene River; and that many of the mining operations allowed waste water to flow from the mines in this area directly into the river. The dumping of these tailings and other discharges allegedly have resulted in soil and water contamination at the site. It is asserted in both Complaints that Golconda Lead and successors, owned and/or operated mining operations in the Bunker Hill/Coeur d'Alene Basin which contributed to contamination of that site. Plaintiffs in existing litigation have moved to amend their complaint to include Group R as successor to Golconda and are seeking from the defendants past costs incurred to respond to this problem as well as a finding of liability for future clean up costs and a judgment for injury to natural resources.

Reservations of Rights and Defenses

The information contained in the complaint is insufficient for Century Indemnity to make a coverage determination. Notwithstanding the lack of information we have in connection with this claim, we believe that there may well be coverage issues or defenses which may arise under the policies should you ultimately request that Century make a payment for this claim. These issues include but are not limited to:

1. As an excess insurer we have no duty to defend.
2. Environmental cleanup claims may not be claims for legal damages as defined in most policies, but rather are claims for equitable or injunctive relief, which would not be covered.
3. Environmental cleanup claims may not be claims for legal damages as defined in most policies, but rather claims for economic loss or a business risk and therefore are not covered.
4. To the extent that any claims made against Group R Co. include fines, penalties or punitive damages, they may not be claims for legal damages on account of bodily injury or property damage and therefore would not be covered.
5. In many instances our policies contain a pollution exclusion, which may also include a petroleum or oil exclusion as well. Such exclusions may preclude any coverage for the claims being made.
6. Even if coverage might otherwise be afforded, it would apply only if property damage took place during our policy period. To the extent that property damage in fact has not taken place during our policy period(s), there would be no coverage.
7. Coverage is provided only for occurrences. To the extent that the pollution or

contamination in question was either expected or intended, there would be no coverage, in that coverage cannot be provided for a non-fortuitous event or set of circumstances.

8. In most cases, it is a condition of coverage that timely notice be given for any loss or claim that may involve our policies. In the event that this matter may involve our policies and timely notice has not been given, there may be no coverage.

9. Our policies usually prohibit the insured from incurring expenses, making admissions, or voluntarily undertaking to settle claims that may involve our level of coverage without our prior knowledge and consent. To the extent that any such activities have taken place without our knowledge and/or consent, there would be no coverage.

10. If aggregate limits are applicable to this claim, the aggregate limits may be substantially impaired or exhausted, to the extent applicable aggregate limits are impaired or exhausted there may be no coverage.

11. An issue may exist as to whether Group R Co., Inc. is an insured under any or all of the policies which may have been issued.

At this time Century reserves all of its rights and defenses in every respect under the terms, conditions, provisions and definitions of the policies and under policies which hereafter may be identified, as well as all rights and defenses which may be available in law or equity. Any actions taken by us shall not constitute an admission of liability or an admission of coverage and should not be construed as a waiver of any right to disclaim liability or coverage. We further reserve the right to modify or amend our coverage position and to assert defenses based upon any of the policy provisions whether or not specifically mentioned herein.

Request for Information

As noted above, Century is in need of additional information regarding this claim before it can make any coverage determination. If the existence of any policy is established, Century will undertake an independent investigation. However, preliminarily Century requests further information as follows:

1. Please provide details with regard to RegO Company and RegO Group, Inc.'s operations at this site as follows:

- a) How many mines did RegO Company and/or RegO Group, Inc. own and/or operate?
- b) What was mined at these mines?
- c) During what dates did operations take place?
- d) Were mine and mill tailings disposed of in, on or around the Coeur d'Alene Basin/Bunker Hill site as alleged?
- e) If tailings were disposed of at this site, as alleged, does Group R Co., Inc. have any estimate or actual number pertaining the amount of tailings it dumped in the area? Please supply that information if it exists.

2. Prior to the commencement of the suits against it has Group R Co., Inc. received any communications in the form of a demand to contribute to clean up costs, pay for response costs incurred or for natural resource damages from any person or entity? If yes, please attach copies of that/those communications if written or otherwise summarize the conversations had and provide the name of the party and the date, time and place of the discussion.

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3. Did Group R Co., Inc. or any of its predecessors ever receive a PRP letter from the USEPA at any time prior to suit?

4. Please advise us whether the Motions to Amend the Complaints in this action have been granted by the United States District Court for Idaho and whether Group R. Co., Inc. has been served with a Summons or has otherwise been served properly.

5. Kindly supply copies of the Answers filed for the Complaints in this matter and apprise Century of who the assigned defense counsel is.

6. Once the entity we may have insured has been identified (i.e whether it is Group R itself or one of its predecessor companies) and if we confirm the existence of the policies issued by a CIGNA Company, Century would also be interested in learning about the full coverage program for the identified entity.

7. After the entity we insured is identified Century may also request information and documents pertaining to the merger of various predecessor entities, therefore any information you may provide in advance about the various corporate relationships may reduce any future informational requests we may have with regard to this question.

8. Kindly supply the name of the firm and the specific attorney assigned to defend Group R and supply contact information for this firm.

Century may have other information requests to present to Group R Co., Inc. in the future and therefore may contact you again. In addition, should Century assign one of its investigators, you or your client may be contacted directly by that person for an interview or for other information. We ask in advance that you cooperate with our investigators should you be contacted. Any investigation which we conduct should not be construed as a grant of coverage or a waiver of any of Century Indemnity's rights and defenses.

We request that you keep us advised of the progress of this matter, the extent of damages or cleanup expenses being claimed against you, and your projections with regard to the outcome of the case, on a timely basis so that we may intelligently determine if and when our coverage may be involved (assuming that the existence and terms of the policies are ultimately established). Century also requests that you make the primary carrier(s) aware of our interest in developments in this case in order that they may advise us of its status and the details with regard to aggregates, aggregate impairment, likely exposure and similar matters in connection with this case.

As noted above, I will contact you again when we have completed our policy search. In the meantime, should you have any comments or questions, please feel free to contact me.

Sincerely yours,



William P. Eskdale

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